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THE SOVIET WORLD

Stalin's successors intensified their efforts last week to convince the world that they were ushering in a period of "peaceful coexistence" in which costly armament programs could be safely replaced by the prospects of mutually profitable East-West trade. While the Kremlin began to alleviate those sources of East-West friction which resulted from the past regime's emphasis on the elimination of contacts with the outside world, there was still no evidence that the new approach presaged a willingness for the broad compromises necessary to secure over-all political solutions in the principal trouble spots of Asia and Europe.

In the field of foreign affairs, Moscow moved to better diplomatic relations with various individual members of the western alliance system and its potential associates. The Soviet government appointed an ambassador to Yugoslavia, reportedly offered to exchange ambassadors with Greece, and made conciliatory gestures toward Turkey.

Following a reported Soviet bloc overture last April to the Israeli UN delegation, according to the Turkish Foreign Ministry the USSR has now indirectly approached the Israeli legation in Sofia concerning the resumption of diplomatic relations. Moscow also took steps toward full diplomatic relations with Austria where minor Soviet concessions continued, for the most part in the Allied Control Council.

Perhaps the most significant development in the peace offensive was the series of changes inside the German Democratic Republic. While they were apparently designed to stimulate West German hopes for unification, they also mitigated the harmful effects of an over-rapid Sovietization process.

The East German Politburo declared that the chief aim of these measures was "the restoration of the unity of Germany, an aim which requires of both sides measures which will really facilitate the coming together of the two parts of Germany." The subsequent propaganda line will probably claim that the Communists have now opened the way for German unification and demand that the West German government also take steps to facilitate its achievement.

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The next Communist move may be a new proposal for a peace treaty and troop withdrawal or an approach by Semeonov to the other high commissioners on some preliminary problems of unification. There is still no evidence, however, of Soviet readiness to offer unification proposals acceptable to the three Western powers.

Inside the USSR, the replacement of L.G. Melnikov as first secretary of the Ukrainian Republic follows a Ukrainian press campaign during the last two weeks directed against Stalinist Russification concepts and harsh economic policy. The criticism of Melnikov makes it likely that he will also be ousted from his higher position on the All-Union party presidium. His eclipse may have resulted from a struggle between two possible factions in the Soviet leadership with Melnikov identified with a minority in favor of continuing Stalin's extreme emphasis on coercion.

In Eastern Europe, there has been no evidence of relaxation of basic internal control policies, and during recent weeks a number of new coercive measures have been instituted, possibly in anticipation that a period of reduced East-West tensions would stimulate existing tendencies toward deviation.

In Czechoslovakia, the violent public reaction to the currency reform apparently has been brought under control. A labor recruitment law of 25 May empowers all levels of the Czech government to call up citizens for "emergency or special work," and expansion of agricultural labor brigades is also planned.

In Hungary, 200 to 300 judges and public prosecutors, including the prosecutor general and the chief justice, were reportedly dismissed or demoted.

SOUTH KOREAN POLICIES TOWARD A TRUCE

President Rhee's violent opposition to a truce leaving Chinese troops in Korea is apparently designed to secure maximum guarantees from the United States before an armistice is signed. While this stand will undoubtedly complicate future negotiations, it is unlikely to prevent a truce or result in an early South Korean military move. The South Koreans, however, may prove increasingly truculent in future relations with North Korea.

President Rhee has repeatedly held that worthwhile agreements with the Communists cannot be obtained by political negotiations. He desires, therefore, that the United States grant him a mutual security pact before an armistice is signed. The current government-sponsored antiarmistice campaign in South Korea, rather than presaging a unilateral attack by South Korean forces, is primarily aimed at securing such a pact.

An air of crisis now prevails in South Korea as a result of the antitruce campaign. Acting Prime Minister Pyun, taking the lead in violently denouncing the armistice, labelled the current proposals "unacceptable" to South Korea. President Rhee recently issued a series of statements opposing the truce terms and reaffirming his intention to seek unification, by force if necessary.

To emphasize its stand, the government has imposed virtual martial law throughout South Korea. High-ranking military officers have been recalled from the United States, ostensibly to plan a northward thrust if a truce is signed. The 25th of June has been designated "northward march and unification day" and the period up to 20 June is reportedly being devoted to intensive recruitment of soldiers, including women, for the "sacred war" against Communism.

There is mounting evidence, however, that while the South Korean government will not sign or actively back a cease-fire, it will eventually accept the UN proposals as a fait accompli. President Rhee several times has informed American officials that he will not resort to military action at this time without informing the UN Command. He has recently urged moderation in the anti-armistice demonstrations and has threatened severe punishments for violence against foreigners. He has delegated to acting Prime Minister Pyun the leadership of the antitruce campaign, thus leaving himself relatively free to bow to UN "demands."

Ambassador Briggs reports that many legislators are dubious about the wisdom of Rhee's stand in the current crisis and that a majority of the people are ready to accept a truce. President Eisenhower's 7 June proposal for a bilateral security pact after the armistice is signed is reportedly having a favorable effect on both the press and public opinion. The acting prime minister told the press on 14 June that his country would make no move until the truce agreement "is effective."

Nevertheless, South Korean actions can be expected to cause the United States embarrassment frequently in the near future. President Rhee possesses several means for undermining a truce at any time, such as refusing to sign an armistice, declining to withdraw South Korean troops from present battle lines, opposing Indian troops with force, unilaterally freeing South Korean-held prisoners, or withdrawing South Korean troops from the UN Command. In addition, he might later order a northward attack, particularly if the political conference accomplishes the withdrawal of foreign troops.

Assuming that a cease-fire is attained, the South Korean government will undoubtedly remain obsessed by fear of abandonment, and frustrated in its hopes for unification. Its prime efforts in the future therefore may be directed toward formalizing military guarantees against future aggression and continuing agitation for a united Korea. It has already indicated that it will press for the withdrawal of Chinese Communist troops and the disarmament of North Korean forces.

THE COMMUNIST "NEW LOOK" IN EAST GERMANY

The far-reaching measures announced by the East German government since 9 June leave little doubt that the regime has been directed by Moscow to amend important aspects of a policy in effect since the Bonn and Paris treaties were signed in May 1952. The Kremlin seems to expect that by a show of moderation in East Germany it will eliminate a serious obstacle to Soviet political objectives in Western Europe generally and West Germany in particular.

In admitting and adjusting "previous mistakes," the East German Communists are evidently aiming at several objectives. By promising to restore ration cards to persons heretofore discriminated against and to give short-term credits to businessmen, they hold out hope of improving living conditions which have recently caused widespread discontent. By promising restitution to refugees, they apparently hope to stem the flow of malcontents to the West which has seriously embarrassed the government and deprived it of skilled labor.

By calling off the campaign against the youth organizations of the Evangelical Church, by agreeing to reinstate the pupils and teachers dismissed in the course of this campaign and to restore to the church various confiscated properties, and by promising a review of ordinances oppressive to the churches, the Communists are eliminating a major cause of near-defiance of the regime at home and suspicion abroad. While the government is clearly counting on future support for its policies in return for "guarantees of church autonomy under the constitution," there is no evidence that these guarantees have been tied to specific commitments.

Most of the new measures, moreover, are obvious moderations of the accelerated "class warfare" initiated in East Germany under the "rapid socialization program" announced last July -- all mention of which is now reportedly banned. It is therefore evident that the regime is making a serious effort to attenuate the atmosphere of political and economic tension created by the progressive constriction of private enterprise, the subordination of individual well-being to the production of investment and military items, and the utilization of police power to support these goals.

To what extent basic aspects of that program will be affected will depend on the manner in which the regime carries out other and vaguer promises which have not yet fully emerged in specific decisions. Measures have already been hinted at,

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however, for amending the heavy industry plan to "improve the living standards of all segments of the population," to adjust the agricultural program, and to moderate the policy of isolating East Germans from Western contacts.

For example, the cabinet has called for early changes in the Five-Year Plan, implying perhaps some cut-backs in capital investments or even military items in favor of greater production of consumers' goods. With respect to agriculture, an official rebroadcast of a speech by a local chairman of a farm collective quoted him to the effect that present policy calls for concentration on the improvement of existing cooperatives rather than on the formation of new ones.

New regulations with respect to interzonal transit passes have already been announced. These appear to envisage only limited interzonal travel in the next three months, but promise that passes will be granted to all who have not committed political or criminal offenses. Grotewohl, in a speech on 12 June, recommended the suspension of a proposed reorganization of the East German school system on the grounds that it would create serious obstacles to the later transfer of students to West German universities.

Finally, the past week's developments emphasize the political fluidity which the USSR has permitted in East Germany to a degree unmatched in the Satellites. Since last July, the advocates of a tough policy have evidently been permitted freedom to impress their views on government and party, but by no means unrestrained freedom. With the present reversal, there is inevitable speculation that a "reverse purge" may now ensue. However, the continued coexistence of adherents of both the "communization line" and the "unification line" seems probable so long as Soviet policy toward the German question has not crystallized.

In the meantime, the process of "putting a new face" on East Germany may mean incidental as well as intentional benefits for the East Germans, since Western skepticism may necessitate still more far-reaching changes than those thus far announced. To further its "peace offensive" both in West Germany and beyond the Rhine, the Soviet Union may in fact be prepared to go very far in "adjusting" East Germany as an alternative to more difficult concessions such as the return of prisoners of war, free elections in East Germany, or revision of the Oder-Neisse line.

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TIN CRISIS THREATENS STABILITY OF BOLIVIAN GOVERNMENT

The stability of the present Bolivian government is threatened by a deepening economic crisis precipitated by the sharp break in the world price of tin and the prolonged delay in concluding a tin contract with the United States. The Nationalist Revolutionary Movement (MNR), which came to power through revolution in April 1952, and nationalized the tin mines six months later, blames the United States for Bolivia's economic difficulties and threatens to sell tin to the Orbit.

The world price of tin, which since January 1952 had been stabilized at \$1.215 per pound, began declining abruptly on 27 March 1953 and in less than three weeks had dropped nearly 25 percent. At the current price of \$0.93 per pound, the Bolivian Mining Corporation, the government organization which operates the nationalized tin mines, maintains it will have difficulty making ends meet.

The principal problem in Bolivia, which produces a fifth of the free world's tin and depends on this for about 70 percent of its foreign exchange revenues, is what the United States will decide to do about a purchase contract. About one half of Bolivia's tin is now being sold to a British firm under a three-year contract concluded last January. The other half, which has customarily been sold to the United States, was left without an assured market when the Reconstruction Finance Corporation refused in March to discuss a purchase contract. The United States has, at least up to 1 May, purchased all the tin Bolivia was able to deliver.

Bolivian negotiations with the US State Department are lagging over the price problem and the question of compensation for the former mineowners and the United States stockholders in the nationalized mines. On 12 June, the Bolivian ambassador in Washington announced that a formula for compensation had been worked out with the Patino Mining Corporation, which formerly produced about half of Bolivia's tin. Although such an agreement would remove a major obstacle in the negotiations, declining US requirements and the differences over price still stand in the way of a long-term contract.

Meanwhile, Bolivian government officials point to the prolonged negotiations over a tin contract as evidence that the United States is marking time until economic deterioration will eventually cause the downfall of the present government. President Paz, in his May Day address, after giving an overly optimistic version of the progress of negotiations with the former mineowners regarding compensation, stated, "We are going to put the sincerity of the United States government to a test." Minister of Mines Lechin followed with a speech attributing Bolivia's economic crisis to the "economic aggression of Yankee imperialism."

President Paz also stated in his May Day address that if a tin contract were not soon concluded, Bolivia would sell to the "popular democracies." On 20 May, Bolivia resumed diplomatic relations with Czechoslovakia, and shortly thereafter a Czech economic commission, reportedly interested in tin, held trade talks in La Paz.

The MNR government has taken emergency measures to meet the present crisis. In order to prevent runaway inflation, it devalued the currency on 15 May, and it has temporarily alleviated a severe foreign exchange shortage by borrowing \$2,500,000 from the International Monetary Fund.

Meanwhile, extremist forces on the left are urging more radical solutions for the nation's economic ills, while on the right the Socialist Falange, a semi-Fascist group, continues to plot against the government. If Bolivia long continues unable to market its tin profitably, the MNR government is likely to fall.

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THE AFTERMATH OF GREEK DEVALUATION

The devaluation of the Greek drachma from 15,000 to 30,000 to the dollar, announced on 9 April, has thus far been successful. There are signs, however, that the economy may suffer a delayed shock in the form of an inflationary price-wage cycle.

Immediately after announcing devaluation, the Greek government imposed severe anti-inflationary measures. Although these measures caused widespread discontent, the government intends to maintain them with minor adjustments until 1 July. Special taxes were levied, commercial credits were restricted, measures were taken to neutralize excess profits, and "market police" were assigned to prevent hoarding and price gouging. A controlled flow of government reserves of basic foodstuffs is easing temporary shortages.

Those branches of agriculture which depend heavily on foreign markets, such as tobacco and olive oil, are expected to benefit from devaluation. Industries which rely heavily on imported raw materials or face increased foreign competition within Greece will be affected adversely, but export industries and those using a large proportion of local raw materials are expected to fare better.

The government is endeavoring to limit the average domestic price increase to 15 percent until the end of June; it is planned thereafter to relax price controls to allow the forces of supply and demand to operate more freely. Retail price increases have generally been moderate. Wholesale prices, on the other hand, have advanced from 25 to 30 percent and will be reflected in the cost-of-living indices in the near future.

The American embassy in Athens reported in mid-May that determined efforts by the government and the public had kept price increases within reasonable limits. Trading on the gold and stock markets, after temporary flurries, became more nearly normal, and currency circulation remained relatively stable.

The first major adjustment occurred on 27 May when the price of wheat rose, causing increases up to 33 percent in the price of bread. To offset this, the government intends to pay a special allowance to all workers who earn less than an established minimum wage.

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The general economic picture in Greece is satisfactory, but business and the public are becoming increasingly jittery. Present tendencies being watched with concern are the restrained credit, the downward trend of currency circulation, the sharp rise in the drachma price of the gold sovereign and the first sign of the drachma dropping below its official dollar exchange rate.

An increase in unemployment dims the labor picture. The non-Communist General Confederation of Greek Labor is demanding immediate wage increases. On 4 June the confederation called a 24-hour strike of all bank employees. This was followed on 5 June by a strike of all public utilities personnel. Localized general strikes occurred in Athens, Piraeus, and Salonika on 9 June and are being threatened throughout Greece unless labor's demands are met.

There is growing pessimism among cabinet members over the ultimate effect on the internal economy of the devaluation and the sharp reduction in American aid. Unless the severe restrictions are eased and currency circulation is allowed to meet internal trade needs, some cabinet members believe that the Papagos government will become extremely shaky and will reach the verge of collapse by October. The sudden adjournment of parliament on 9 June has led the opposition to attack the government, charging that it does not dare face a showdown on devaluation and the extent of cuts in American aid.

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